

Hallie Q. Brown Community Center, Inc.

St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
December 31, 2022 and 2021



CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hallie Q. Brown Community Center
St. Paul, Minnesota

Opinion

We have audited the accompanying financial statements of Hallie Q. Brown Community Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hallie Q. Brown Community Center as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hallie Q. Brown Community Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hallie Q. Brown Community Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hallie Q. Brown Community Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hallie Q. Brown Community Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Carpenter Ent and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
June 5, 2023

HALLIE Q. BROWN COMMUNITY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash	\$ 2,000,210	\$ 2,021,077
Cash - Fiscal Agency	5,576	3,999
Accounts Receivable	34,200	30,822
Grants and Pledges Receivable	18,806	68,933
Due from Fiscal Agency	137,977	218,750
Prepaid Expenses	38,359	51,507
Total Current Assets	2,235,128	2,395,088
Property and Equipment - Net	368,954	332,443
Beneficial Interest in Assets Held at the St. Paul Foundation	278,859	321,309
TOTAL ASSETS	\$ 2,882,941	\$ 3,048,840
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 21,460	\$ 14,676
Accrued Personnel Costs	131,675	117,415
Other Accrued Expense	76,106	43,955
Funds Held for Others	17,481	16,234
Notes Payable	12,317	11,485
Total Current Liabilities	259,039	203,765
Notes Payable	83,854	96,471
PPP Loan	-	219,000
Due to the City of St. Paul	86,228	86,228
Total Liabilities	429,121	605,464
Net Assets:		
Without Donor Restrictions	2,174,961	2,122,067
With Donor Restrictions	278,859	321,309
Total Net Assets	2,453,820	2,443,376
TOTAL LIABILITIES AND NET ASSETS	\$ 2,882,941	\$ 3,048,840

The accompanying Notes to Financial Statements
are an integral part of these statements.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Support and Revenue:				
United Way	\$ 229,308	\$ -	\$ 147,590	\$ -
Contributions of Financial Assets	1,057,937	-	1,394,959	120,250
Contributions of Non-Financial Assets	469,917	-	430,582	-
Government Grants	550,067	-	594,770	-
Program Service Fees	172,852	-	115,334	-
Rental Income	152,252	-	151,465	-
Special Event Income	-	-	55,795	-
Cost of Direct Benefit to Donors	-	-	(39,067)	-
Net Special Event Income	-	-	16,728	-
Investment Income	(11,011)	-	(10,405)	-
Other	22,212	-	12,067	-
Net Assets Released from Restrictions:				
Satisfaction of Purpose Restrictions	-	-	120,250	(120,250)
Total Support and Revenue	2,643,534	-	2,973,340	-
Expense:				
Program Services:				
Children and Youth	1,304,289	-	582,078	-
Family Services	402,679	-	657,517	-
Facilities	264,673	-	140,230	-
Total Program Services	1,971,641	-	1,379,825	-
Support Services:				
Administration	122,058	-	490,483	-
Fundraising	507,816	-	216,863	-
Total Support Services	629,874	-	707,346	-
Total Expense	2,601,515	-	2,087,171	-
Change in Net Assets From Operations	42,019	-	886,169	-
Other Changes in Net Assets:				
Change in Value of Beneficial Interest in Assets Held at the St. Paul Foundation	10,875	(42,450)	10,342	43,016
Change in Net Assets	52,894	(42,450)	896,511	43,016
Net Assets - Beginning of Year	2,122,067	321,309	1,223,556	278,293
Net Assets - End of Year	\$ 2,174,961	\$ 278,859	\$ 2,122,067	\$ 321,309

The accompanying Notes to Financial Statements are an integral part of these statements.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2022 WITH COMPARATIVE TOTALS FOR 2021

	2022						2021		
	Program Services			Support Services			Total	Total	Total
	Children & Youth	Family Services	Facilities	Program Services	Admini- stration	Fundraising	Support Services	All Services	All Services
Salaries	\$ 444,340	\$ 157,987	\$ 98,742	\$ 701,069	\$ 29,623	\$ 256,730	\$ 286,353	\$ 987,422	\$ 832,672
Employee Benefits	67,231	23,904	14,940	106,075	4,482	38,844	43,326	149,401	94,494
Payroll Taxes	53,499	19,022	11,889	84,410	3,566	30,911	34,477	118,887	79,822
Total Personnel Costs	565,070	200,913	125,571	891,554	37,671	326,485	364,156	1,255,710	1,006,988
Participant Food and Supplies	547,747	78,250	7,114	633,111	7,113	71,136	78,249	711,360	653,378
Professional Fees	65,570	54,264	29,393	149,227	31,654	45,220	76,874	226,101	152,563
Occupancy	5,713	26,933	86,837	119,483	21,709	22,036	43,745	163,228	95,264
Other	56,850	3,075	1,178	61,103	1,766	2,551	4,317	65,420	31,336
Staff & Volunteer	17,978	13,183	5,393	36,554	7,790	15,580	23,370	59,924	73,423
Office	17,363	12,882	4,481	34,726	7,281	14,002	21,283	56,009	24,965
Telecommunication	6,038	4,480	1,558	12,076	2,532	4,870	7,402	19,478	17,002
Transportation	2,794	2,551	617	5,962	926	1,235	2,161	8,123	2,228
Depreciation and Amortization	19,166	6,148	2,531	27,845	3,616	4,701	8,317	36,162	30,024
Total Expense	\$ 1,304,289	\$ 402,679	\$ 264,673	\$ 1,971,641	\$ 122,058	\$ 507,816	\$ 629,874	\$ 2,601,515	\$ 2,087,171

HALLIE Q. BROWN COMMUNITY CENTER, INC.
 STATEMENT OF FUNCTIONAL EXPENSE
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services				Support Services			Total All Services
	Children & Youth	Family Services	Facilities	Total Program Services	Admini- stration	Fundraising	Total Support Services	
Salaries	\$ 368,782	\$ 129,879	\$ 106,403	\$ 605,064	\$ 116,590	\$ 111,018	\$ 227,608	\$ 832,672
Employee Benefits	46,606	16,579	13,697	76,882	2,788	14,824	17,612	94,494
Payroll Taxes	29,310	10,921	9,489	49,720	19,406	10,696	30,102	79,822
Total Personnel Costs	444,698	157,379	129,589	731,666	138,784	136,538	275,322	1,006,988
Participant Food and Supplies	126,139	495,173	635	621,947	17,763	13,668	31,431	653,378
Professional Fees	4,570	1,125	-	5,695	141,454	5,414	146,868	152,563
Occupancy	-	-	8,301	8,301	86,963	-	86,963	95,264
Other	2,997	1,440	24	4,461	25,473	1,402	26,875	31,336
Staff & Volunteer	3,347	197	-	3,544	13,961	55,918	69,879	73,423
Office	327	14	1,076	1,417	19,625	3,923	23,548	24,965
Telecommunication	-	-	581	581	16,421	-	16,421	17,002
Transportation	-	2,189	24	2,213	15	-	15	2,228
Depreciation and Amortization	-	-	-	-	30,024	-	30,024	30,024
Total Expense	\$ 582,078	\$ 657,517	\$ 140,230	\$ 1,379,825	\$ 490,483	\$ 216,863	\$ 707,346	\$ 2,087,171

The accompanying Notes to Financial Statements
 are an integral part of this statement.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Increase (Decrease) in Cash</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 10,444	\$ 939,527
Total Adjustments	43,849	(207,752)
Net Cash Provided by Operating Activities	<u>54,293</u>	<u>731,775</u>
Cash Flows from Investing Activities:		
Payout from Beneficial Interest in Asset Held at the St. Paul Foundation	10,875	10,342
Purchases of Property and Equipment	<u>(72,673)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>(61,798)</u>	<u>10,342</u>
Cash Flows from Financing Activities:		
Principal Payments on Notes Payable	<u>(11,785)</u>	<u>(31,772)</u>
Net Cash Provided (Used) by Financing Activities	<u>(11,785)</u>	<u>(31,772)</u>
Net Increase (Decrease) in Cash	(19,290)	710,345
Cash - Beginning of Year	<u>2,025,076</u>	<u>1,314,731</u>
Cash - End of Year	<u>\$ 2,005,786</u>	<u>\$ 2,025,076</u>
<u>Supplemental Disclosures of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ 4,535</u>	<u>\$ 4,504</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1. Summary of Significant Accounting Policies

Organizational Purpose

Founded in 1929, Hallie Q. Brown Community Center, Inc. (the Organization) is a private, nonprofit social service agency serving the Summit University area of Saint Paul, Minnesota. The mission of the Organization is to improve the quality of life in the community by providing access to critical human services, fostering and promoting personal growth, and developing community leadership. In executing this mission, the Organization successfully operates a wide variety of programs, which specifically address the critical needs of community residents.

The Organization currently operates three program areas made up of three core programs along with a number of additional service activities. The program areas are: Children and Youth Programming consisting of the Early Learning Center and After School and Summer Enrichment; Family Services consisting of the Emergency Food Shelf and Clothing Closet, Seniors programming, and Other Family Services; and Facilities Programming through the Multi-Service Center.

Children and Youth Programming

Early Learning Center – The Hallie Q. Brown Early Learning Center is licensed for 42 infants, toddlers, and preschoolers ages 6 weeks through 5 years old and provides safe, affordable childcare for working parents and community residents on a sliding fee scale. Children are provided with skills and tools to prepare them effectively for kindergarten and beyond.

After School and Summer Enrichment Program – The purpose of the After School and Summer Enrichment Program is to provide youth ages 5 to 14 with the resources and opportunities to develop and expand cooperative and interdependent relationships through organized activities. The program is designed to improve academic performance, enhance leadership and communication skills, increase awareness of other cultures, inspire a sense of community pride, and teach the importance of volunteerism and philanthropy to build strong and healthy communities. It operates after school during the year and full day during the summer and school release days.

Family Services

Emergency Food Shelf and Clothing Closet – The Emergency Food Shelf and Clothing Closet administers a broad range of emergency, referral and other support services. Among these services are the Food Shelf that operates from a Client Choice model and Clothing Closet which provides free clothing and small household items for families. The goal is to assist families in achieving self-sufficiency and self-empowerment, thus reducing their dependency on the food shelf and other services for their health and well-being.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued)

Senior Programming – The Organization currently serves as a gathering place for seniors to enhance their independence through a connection to services and activities. In the Early Learning Center and School Age programs, children benefit from intergenerational service components provided by “grandparent” volunteers. Our Magnificent Golden Agers and Retired Men’s Club meet monthly. Both of these groups are in a process of renewed outreach and programmatic updates.

Other Family Services – In addition to the core programs of the Organization, activities at the Center include Special Interest/Family Nights, MLK Recreation, and the 3M Computer Learning and Resource Center.

Facilities

Multi-Service Center - The Martin Luther King Multi-Service Center provides a multi-faceted service delivery to the community. Programs, classes, cultural events and special projects originate from this facility. The agencies providing these services and programs recognize and work to meet the diverse social, cultural and educational needs of their constituents. In addition to the groups using the facility for various program needs, the Martin Luther King Center is the permanent home for additional agencies and organizations.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to the Organization, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restriction. A description of the groupings is as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable and Doubtful Accounts

The Organization extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and the Organization does not charge interest on accounts receivable balances. The Organization reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. The Organization provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. There is no allowance for doubtful accounts as of December 31, 2022 and 2021.

Promises-To-Give (Grants and Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Revenue and Revenue Recognition

The Organization recognizes program service fee revenue when the performance obligations of providing the services are met.

The Organization records special event revenue equal to the fair value of direct benefits to donors, and contribution revenue for the difference.

Rental receipts that are collected in advance of the applicable rental period are recorded as deferred revenue. Deferred rent was \$0 and \$12,375 in the years ending December 31, 2022 and 2021, respectively.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance under federal and state contracts and grants.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued)

Investments

The Organization carries its investments at market value.

Functional Allocation of Expense

Salaries and other expenses are allocated based on job descriptions and the best estimates of management.

Income Tax

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted Accounting for Uncertainty in Income Taxes, ASC 740-10. The Organization's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Organization annually files a Return of Organization Exempt From Income Tax (Form 990).

New Accounting Pronouncements

In 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2022.

The Organization has also adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, as management believes the standards improve the usefulness and understandability of the Organization's financial reporting. The ASU has been applied retrospectively for the periods ended December 31, 2022 and 2021, as required.

Contributions of Nonfinancial Assets

The Organization records contributions of nonfinancial assets at fair market value at date of donation. The Organization's policy related to contributions of nonfinancial assets is to utilize the assets given to carry out the mission of the organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued)

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Management has determined that although the remaining commitments on the equipment leases are more than 12 months, the overall amounts are not significant and will report as short-term leases.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

All major expenditures for property and equipment above \$1,000 are capitalized at cost. Contributed items are recorded at fair market value at date of donation. Depreciation is provided through the use of the straight-line method.

Reclassifications

Certain amounts in prior year comparative totals have been reclassified to conform with the presentation in the current year financial statements.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through June 5, 2023, which is the date financial statements were available to be issued.

2. Financial Instruments

Significant Concentrations of Credit Risk

The Organization provides services within the Twin Cities area. The amounts due for services provided are from individuals and organizations, substantially all of whom are local.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

2. Financial Instruments (continued)

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At December 31, 2022 and 2021, the Organization held funds at a local financial institution in excess of federally insured limits.

3. Fair Value

The Organization adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures ("ASC 820"). In accordance with ASC 820, "fair value" is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).
- Level 3 – Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair value of the investments at December 31,

	2022			
	Level 1	Level 2	Level 3	Total
Beneficial Interest in Assets Held at the St. Paul Foundation	<u>\$ -</u>	<u>\$ 278,859</u>	<u>\$ -</u>	<u>\$ 278,859</u>
	2021			
	Level 1	Level 2	Level 3	Total
Beneficial Interest in Assets Held at the St. Paul Foundation	<u>\$ -</u>	<u>\$ 321,309</u>	<u>\$ -</u>	<u>\$ 321,309</u>

4. Lease Agreement

The Organization leases program and office space to a tenant under a noncancelable lease. Lease ended October 2019 and is just on a month-to-month agreement, so no future commitments exist.

The rental income was \$152,252 and \$151,465 for the years ended December 31, 2022 and 2021, respectively.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

5. Fiscal Agency

The Organization acts as a fiscal agent for Community Ambassadors. The net of income and expenses for Community Ambassadors resulted in cash and a receivable balance of \$0 and \$219,602, respectively at December 31, 2022 and cash and a receivable balance of \$0 and \$218,750, respectively at December 31, 2021.

6. Pension Plan

The Organization participates in a section 401(k) retirement plan that covers those employees who meet eligibility requirements. Contributions of \$27,386 and \$11,409 were made in the years ended December 31, 2022 and 2021, respectively.

7. Endowment and Reserves Fund

Description

Endowment and Reserves funds consist of donor restricted and board designated funds established for these purposes:

Funds designated by the Board of Directors to function as endowments are held at the discretion of the Board of Directors with the income and related investment gains to be used to support program activities as approved by the Board of Directors.

Donor restricted funds are donor restricted to be held in perpetuity with the income and related investment gains to be used to support program activities as approved by the Board of Directors.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

7. Endowment and Reserves Fund (continued)

Endowment and Reserves Net Asset Composition by Type of Fund

December 31, 2021	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beneficial Interest in Assets Held at the St. Paul Foundation	\$ -	\$ 321,309	\$ 321,309
December 31, 2022	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beneficial Interest in Assets Held at the St. Paul Foundation	\$ -	\$ 278,859	\$ 278,859

Changes in Endowment Net Assets

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
December 31, 2020	\$ -	\$ 278,293	\$ 278,293
Investment Return:			
Investment Income	-	4,652	4,652
Unrealized Gain	-	49,772	49,772
Total Investment Return	-	54,424	54,424
Appropriation for Expenditure	-	(10,342)	(10,342)
Administration Fees	-	(1,066)	(1,066)
December 31, 2021	-	321,309	321,309
Investment Return:			
Investment Income	-	4,463	4,463
Unrealized Gain (Loss)	-	(33,651)	(33,651)
Total Investment Return	-	(29,188)	(29,188)
Appropriation for Expenditure	-	(10,875)	(10,875)
Administration Fees	-	(2,387)	(2,387)
December 31, 2022	\$ -	\$ 278,859	\$ 278,859

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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8. Property and Equipment

The Organization owned the following assets as of:

	<u>December 31,</u>		<u>Estimated Useful Lives</u>
	<u>2022</u>	<u>2021</u>	
Land	\$ 4,203	\$ 4,203	
Property Rights	289,872	289,872	40 years
Land Improvements	34,325	34,325	20 years
Leasehold Improvements	420,543	420,543	5-20 years
Furniture and Equipment	181,344	181,344	2-10 years
Vehicles	<u>200,291</u>	<u>127,618</u>	5-7 years
	1,130,578	1,057,905	
Less Accumulated Depreciation And Amortization	<u>749,512</u>	<u>725,462</u>	
	<u>\$ 381,066</u>	<u>\$ 332,443</u>	

Depreciation and Amortization expense of \$36,162 and \$30,024 was recorded for the years ended December 31, 2022 and 2021, respectively.

9. Notes Payable

Notes payable were comprised of the following as of:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
\$131,582 loan payable to U.S Bank. Interest is Payable at 4.36%, with monthly payments of \$1,360, Principal and interest, beginning November 1, 2020 With unpaid principal and interest due October 1, 2024.		
	\$ 96,171	\$ 107,956
Less Portion Due Within One (1) Year	<u>12,317</u>	<u>11,485</u>
Long-term Portion	<u>\$ 83,854</u>	<u>\$ 96,471</u>

Principal payments required are as follows:

<u>Due in the Year Ending December 31,</u>	
2023	\$ 12,317
2024	<u>83,854</u>
Total	<u>\$ 96,171</u>

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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10. Contributions of Nonfinancial Assets

The Organization records contributions of nonfinancial assets at fair market value at date of donation. Contributions of Nonfinancial Assets include the following as of:

	December 31,	
	2022	2021
Food and Supplies	\$ 469,917	\$ 430,852

Contributions of Nonfinancial Assets were utilized for programming during the years ended December 31, 2022 and 2021, and had no donor restrictions. Values were used based on the current market rates the Organization would have paid for the items if they were not donated.

11. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of amounts for the following as of:

	December 31,	
	2022	2021
Restricted in Perpetuity: Endowment	\$ 278,859	\$ 321,309

12. Liquidity and Availability

The following represents the Organization's financial assets as of:

	December 31,	
	2022	2021
Financial Assets		
Cash and Cash Equivalents	\$ 2,000,210	\$ 2,201,007
Accounts Receivable	34,200	30,822
Grants and Pledges Receivable	18,806	68,933
Total Financial Assets	2,053,216	2,120,762
Less amounts not available to be used within one year due to contractual or donor-imposed restrictions	-	-
Financial assets available for general expenditures within one year	\$ 2,053,216	\$ 2,120,762

The Organization does not consider their endowment an asset available for expenditure. The Organization considers net assets with donor-imposed restrictions that are expected to be satisfied during normal operations within one year to be available for use.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

13. Cash Flow Operating Adjustments

Adjustments to reconcile Changes in Net Assets to Net Cash (Used) by Operating Activities were as follows as of:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Depreciation and Amortization	\$ 36,162	\$ 30,024
PPP Loan Forgiveness	(219,000)	-
Change in Value of Beneficial Interest		
In Assets Held at the St. Paul Foundation	31,575	(53,358)
Increases (Decreases) in Current Liabilities:		
Accounts Payable	6,784	(28,767)
Accrued Personnel Costs	14,260	(4,844)
Other Accrued Expenses	32,151	31,944
Funds Held for Others	1,247	7,132
Decreases (Increases) in Current Assets:		
Accounts Receivable	(3,378)	24,783
Grants and Pledges Receivable	50,127	(52,696)
Fiscal Agency	80,773	(132,139)
Prepaid Expenses	13,148	(29,831)
Total Adjustments	<u>\$ 43,849</u>	<u>\$ (207,752)</u>

14. PPP Loan

On April 28, 2020, the Organization was granted a loan (the "Loan") from the SBA Bank in the aggregate amount of \$219,000, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted on March 27, 2020.

The Loan, which was in the form of a Note dated April 28, 2020 issued by the Borrower, matures on April 28, 2022 and bears interest at a rate of 1% per annum, originally payable monthly commencing on November 28, 2020.

Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. If the Loan is 100% forgiven, then no payments will be due from the Organization. If the Organization does not receive 100% forgiveness, there will be a loan modification at the time of the decision, which will communicate the repayment terms of the remaining loan balance.

The Organization is carrying as debt on its statement of financial position as of December 31, 2021 and 2020, respectively. The Organization received forgiveness of the entire PPP Loan in February of 2022 and that was reflected as income in the 2022 financials.